Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Business Data Services in an Internet Protocol Environment	)	**WC Docket No. 16-143**
	)	
Special Access for Price Cap Local Exchange Carriers	)	**WC Docket No. 05-25**
	)	
AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services	)	**RM-10593**
	)	

Reply Comments of Alaska Communications

Attachment A

Declaration of David C. Blessing

Statement of Qualifications

1. I have over twenty-seven years of experience in the area of economic and financial analysis. For the last twenty-three years I have been a principal in the economic consulting firm Parrish, Blessing & Associates, Inc. Our firm provides economic, financial and management consulting services primarily to regulated utilities and telecommunications companies in the continental United States and U.S. territories. Prior to this experience I held the position of Senior Economist at Rochester Telephone Corporation. While at Rochester Tel and in my current position, I have testified as an expert witness in several proceedings before state and federal courts, the Federal Communications Commission ("FCC") and several state regulatory commissions on regulatory matters, as well as on the calculation of economic

damages for class action suits and employment disputes. My professional background also includes an appointment to the faculty of Nazareth College of Rochester, where I taught courses in economics and finance. I hold a Bachelor of Arts degree from Kalamazoo College and a Master of Arts degree in Economics from Fordham University. In addition, I have successfully completed all required course work and comprehensive exams for my doctorate in economics.

For the past seventeen years I have been working in Alaska for Alaska Communications and other telecommunications clients. My firm also works with municipalities and electric, gas, water, and waste water utilities around the state providing economic and regulatory analysis.

2. A detailed summary of my background is included as EXHIBIT DCB-1.

Purpose and Summary

3. The purpose of my declaration is to discuss the implications of the Federal Communications Commission ("FCC") proposals a develop and apply a Competitive Market Test ("CMT") to areas in Alaska served by a price cap carrier. In addition, I will demonstrate through the use of publicly available data that any conclusion that the price cap carrier in Alaska has market power is unfounded.

4. The FCC's proposals are set forth in its *Tariff Investigation Order and Further Notice of Proposed Rulemaking* ("Order/FNPRM"). The Commission's intent is to apply the results of analysis of the data collected as part of its Special Access Data Collection ("SADC") proceeding in order to determine what price cap areas are not competitive with regard to Business Data Services ("BDS"). The areas determined by the CMT to be competitive will not be regulated while those determined to be non-competitive will face an updated version of price cap regulation. The Order/FNPRM discusses the need for a

new CMT for BDS because the previous triggers did not accurately reflect the level of competition in all areas.[1]

5. As the Commission has acknowledged in the past, Alaska is characterized by many unique demographic, geological and geographic attributes. Based on the presumptions found in the Order/FNPRM it is clear that Alaska is unique in another way – the ILEC is not the largest nor the dominant player in the Alaska BDS market. As a result, many of the conclusions reached by the Commission and the implications stemming from analysis of the SADC data are not reliable for Alaska. This should not be unexpected when attempting to apply a single methodology to diverse areas across the country. In fact, it should be expected that a nation-wide methodology will not function well in markets as unique and diverse as those found in Alaska. The introduction of a new CMT mechanism will not change the fact that Alaska markets are unlike the rest of the country and any evaluation of the level of competition in Alaska must be viewed differently. This is clear when a review of the assumptions underlying the FCC's analysis and conclusions regarding BDS competition can be shown not to hold. That, coupled with the limitations of the data collected in the FCC's SADC recognized by the Commission and Dr. Rysman's White Paper attached to the Order/FNPRM, requires that the results of additional analysis of the Alaska market be considered before decisions about what areas need to be re-regulated, regulated or not regulated can be made.[2]
6. Publicly available data will show that competitive forces in most population centers are holding down prices and spurring innovation, while in isolated Bush communities (defined below) a single provider is dominant and able to exploit market power. The difference

[1] Order/FNPRM at ¶290.
[2] Order/FNPRM at ¶¶ 160,191-192 and Rsyman White Paper at 202.

between Alaska and the rest of the country is that because of Alaska's unique level of isolation and its geography, domination in the BDS markets comes not with control of the customer connection but rather with control of middle mile facilities. In the major population centers there are multiple middle mile providers and competitive middle mile infrastructure has been deployed even in rural communities on the road system. However, in the Alaska Bush, defined as areas that are off the state's road system, rail belt, and electric grid, and without connection via undersea fiber optic cable, there is no more than one middle mile provider.[3] Examination of publicly available data from the SADC, USAC and other sources clearly shows the impact of control over middle mile facilities on the level of competition and price. In Anchorage, Fairbanks and Juneau, the states three major population centers, competition between the two middle mile competitors have resulted in downward pressure on prices.[4] Outside of the Anchorage, Fairbanks and Juneau, communities on the road system, such as those on the Kenai Peninsula where two or more carriers offer terrestrial middle mile, the number of BDS-type circuits appears to be split amongst several providers with no clear dominant party. For those off the road system the level of competition declines dramatically and a single provider is clearly dominant.

7. For communities served by GCI's TERRA SW fiber/microwave middle mile network, a government subsidized network serving rural communities where no alternative terrestrial middle mile option exists, the data confirm GCI's monopoly control. In these areas GCI lacks any incentives or obligation to hold down retail prices or to provide access to other carriers on a wholesale basis at reasonable rates. Any entity that participates in both the

[3] In some areas of the Alaska Bush there are no providers of middle mile transport.
[4] John Lowber, Transcript GCI 1st Qtr 2013 Earnings Call, http://seekingalpha.com/article/1397151-general-communications-management-discusses-q1-2013-results-earnings-call-transcript?page=12

retail and wholesale markets for a service while controlling an essential wholesale input effectively has control of the retail as well as the wholesale markets. GCI is doing just that in the Alaska Bush. GCI's very high prices for wholesale middle mile transport, a necessary input to retail BDS services, act as a barrier to competitive entry in both the wholesale and retail markets. As a result, GCI's middle mile dominance in the Bush allows it to charge wholesale customers rates that are significantly higher than even the satellite rates the TERRA network was intended to undercut. Without access to the essential middle mile input at reasonable wholesale prices, potential competitors in the retail markets are barred from entry. As an unregulated provider in the TERRA communities with the availability of federal support and without any requirement to provide cost support for its prices, GCI has no incentive or any other constraint to restrict price levels. To put it in the terms used in Dr. Rysman's White Paper, the price of BDS service in Alaska is lower when middle mile competition exists and where there is no middle mile competition the prices are substantially higher.[5]

8. The examination of these additional data sources makes clear there is no need to regulate BDS service in urban areas and those rural areas on the road system where competitive middle mile facilities exist that effectively lower barrier to entry for BDS. In contrast, there is a real need to regulate middle mile in those areas off the road system with a single provider, if any, of terrestrial middle mile facilities. Contrary to the assumptions in the Further Notice, control of bottleneck facilities does not lie with the Incumbent Local Exchange Carriers ("ILECs") nor is the largest ILEC the largest communications provider in the state. Instead, the dominant provider in Alaska is an IXC/cable company with the

[5] Marc Rysman, "Empirics of Business Data Services," White Paper, Table 3 (April 2016) (Rysman White Paper). Order/FNPRM Appendix B at 200.

largest terrestrial middle mile network in the state including the only terrestrial middle mile facilities in the Alaska Bush.

The Underlying Assumptions of the Commission's Analysis Does Not Hold in Alaska

9. The Commission's analysis of the BDS market hinges on the assumption that if market power exists, it is held by the ILEC.[6] This assumption is evident from the direction of the Commission's analysis that focuses on the impact of the presence of competitive providers, or the threat of their entry, on ILEC BDS rates. Dr. Rysman's states this assumption even more directly -- "… conventional wisdom is that ILECs hold any market power that exists … so my focus on facilities-based entry and ILEC prices is not particularly restrictive."[7] I would agree with Dr. Rysman that focusing on entry into ILEC markets and ILEC prices would be appropriate if the ILEC controlled bottleneck facilities necessary for competitive entry. It is a different story, however, today in Alaska where that underlying assumption doesn't hold. In Alaska, the ILEC is not the largest telecom provider even in its own service territory, nor does it control bottleneck facilities necessary for the provision of BDS. A review of publicly available data shows that the dominant provider in the state is General Communications, Inc. ("GCI"). The bottleneck is middle mile infrastructure serving Bush communities. GCI controls that bottleneck. In the Order/FNPRM the Commission asked whether it would be appropriate to limit regulation in markets determined to be non-competitive only to the largest provider of BDS services.[8] While regulatory price constraints applied only on the dominant provider is an effective way to replicate competitive price levels in non-competitive markets, it is more important to

[6] Order/FNPRM at ¶ 2, ¶52.
[7] Rysman White Paper at 203
[8] Order/FNPRM at ¶ 308.

recognize that such a policy will not have the desired result if the dominate provider in not correctly identified. In the case of BDS, the dominant provider is not the ILEC in all markets, contrary to the presumptions made in the Order/FNPRM. To the extent market power exists in Alaska, it is important that the dominant carrier be correctly identified -- through a comprehensive review of publicly available sources as well as information obtained through the SADC -- and not assumed to be the ILEC.

In Alaska the ILEC is Not the Dominant Provider of BDS

10. An underlying goal of the Commission's analysis of BDS markets is to empirically test whether the triggers and methodologies included in existing rules accurately determine whether the level of competition ensures that BDS prices were constrained and anti-competitive terms and conditions avoided.[9] The survey design and analysis methodology assume that the ILEC is the primary player in the market and that smaller competitive providers may be subject to financial and entry barriers when attempting to compete.[10] The assumption is not correct in Alaska. The single price cap carrier in Alaska, Alaska Communications, is several times *smaller* than the largest competitive provider, GCI. GCI is the market leader in overall market share even in areas where Alaska Communications provides local service as the ILEC, has a greater network reach and footprint, many times more revenue, and a much larger market capitalization and several times more assets. GCI provides local telephone service, broadband services; data and managed data services, cable television and mobile wireless services.[11] Alaska Communications competes with

[9] Rysman White Paper, Attachment 4 at 241.
[10] Order/FNPRM at ¶2.
[11] GCI 2015 10-K Report at 9.

GCI in all but the cable TV and mobile wireless service categories. Both companies operate predominantly in Alaska. However, by any measure, GCI is the larger service provider. The table below compares the two companies:

Financial Comparison: GCI and Alaska Communications

		GCI		Alaska Communications
Market Capitalization	$	540,150,000	$	86,070,000
Total Assets (Net)	$	1,982,308,000	$	463,601,000
Total Revenue	$	978,534,000	$	232,817,000
BDS Revenue				
Business Services: Data	$	142,033,000		
Business Managed Broadband Data	$	127,083,000		
Business Broadband			$	50,007,000
Managed IT Services			$	3,316,000
Wholesale			$	36,792,000
Total BDS Revenue	$	269,116,000	$	90,115,000

Sources:

Market Capitalization	Yahoo Finance: Aug 3, 2016
Total Assets (Net)	2015 10-K Report: GCI page 26; Alaska Communications F-4
Total Revenue	2015 10-K Report: GCI page 26; Alaska Communications F-4
BDS Services Revenue	2015 10-K Report: GCI page 32; Alaska Communications page 37

The table shows that GCI is three to five times larger than Alaska Communications in market cap, assets and revenues. This conclusion is based on statements made by GCI and Alaska Communications in their respective filings with the U.S. Securities and Exchange Commission ("SEC") and to investors. In almost all of GCI's public statements, including earnings calls, annual reports, and press releases, the company opens by stating that it is largest player in the Alaska market. In some cases, the statement is made in reference to revenue, in others to the amount of fiber across the state or the number of business customers. In a recent service proposal, GCI stated:

> With more than 75% of Alaska's top 250 businesses counting on GCI to provide their daily telecommunication services, GCI is the premier integrated communications provider in Alaska.[12]

Alaska Communications agrees, stating:

> Our principal facilities-based competitor for voice and broadband services is GCI, who is also the dominant cable television provider in Alaska. In the business and wholesale market, GCI holds a dominant position through its extensive fiber optic, microwave and satellite based middle mile network as well as its undersea fiber cable network…[13]

11. GCI also has a much greater share of the BDS market in Alaska. GCI earns almost three times as much revenue from services related to BDS as ACS earns. Both companies also acknowledge that the markets for BDS where both participate are highly competitive. In its 2015 10-K filing with the SEC Alaska Communications admitted that the "telecommunications industry in Alaska is competitive and creates pressure on our pricing and customer retention efforts" while citing GCI as its principal competitor.[14] GCI acknowledged the impact of competition on prices in its 1st Quarter 2016 Earnings Report attributing declining year over year BDS revenues on "rate compression in the data market."[15] In earnings calls John Lowber, GCI's CFO, has been equally frank about the impact of competition in the BDS market on prices, stating,"we see a little bit of margin compression every time new circuit comes up for rebid and that type of thing. So we are always fighting with the margin issues…"[16] That the BDS market in Alaska is competitive

[12] 10/8/14 Wireless Proposal City and Borough of Juneau
[13] ALASKA COMMUNICATIONS 2015 Annual Report at 18.
[14] *Id*.
[15] GCI 1st Qtr 2016 Earnings Report, http://ir.gci.com/phoenix.zhtml?c=95412&p=irol-newsArticle&ID=2165073
[16] John Lowber, Transcript GCI 1st Qtr 2013 Earnings Call, http://seekingalpha.com/article/1397151-general-communications-management-discusses-q1-2013-results-earnings-call-transcript?page=12

has been known to the participants for many years. As far back as 2008, Mr. Lowber discussed the impact of competition on GCI's ability to control prices:

> Our largest carrier customer's contract expires at the end of the year. The second largest carrier contract is up here in the relatively near future. We expect to keep both of those carries on our network. I think we said probably two year ago we may announce that fiber cable, that we expect to see 30% to 40% price compression in the enterprise and carrier market and it's fair to say we haven't been disappointed in that expectation.[17]

Other sources corroborate GCI's relative dominance in the business broadband market in Alaska. The FCC's Form 477 Broadband Deployment Data also show that GCI reports that it can provide broadband services, up to 50 Mbps, to almost 60 times more census blocks than Alaska Communications reports it can reach. One of the FCC's assumptions underlying its analysis is that "incumbent LECs in their home territories remain a ubiquitous presence, easily able to provide BDS to virtually all enterprise locations in a manner that no other competitor can duplicate."[18] The Form 477 data are just one more piece of evidence demonstrating that this assumption does not hold in Alaska.

[17] John Lowber, Transcript GCI 4th Qtr 2008 Earnings Call, http://seekingalpha.com/article/125737-general-communications-inc-q4-2008-earnings-call-transcript?page=8

[18] Order/FNPRM at ¶ 2.

FCC Form 477 June, 2015: Census Blocks Served 1MB Down / 1MB Up		
HoldingCompanyName	TechCode	CountOfBlockCode
Alaska Communications Systems Holdings, Inc.	11	1,525
Alaska Communications Systems Holdings, Inc.	12	2,410
General Communication, Inc.	10	358
General Communication, Inc.	41	584
General Communication, Inc.	42	8,635
General Communication, Inc.	70	2,254

FCC Form 477 June, 2015: Census Blocks Served 50MB Down / 10MB Up		
HoldingCompanyName	TechCode	CountOfBlockCode
Alaska Communications Systems Holdings, Inc.	11	48
Alaska Communications Systems Holdings, Inc.	12	88
General Communication, Inc.	42	7,807

12. Dr. Rysman describes a three-pronged test to determine the existence of market power:[19]

    a. Relative revenue market shares,
    b. Number and type of market entrants in across entire market area, and
    c. Analysis of whether price is constrained

Applying Dr. Rysman's methodology to the BDS market in Alaska clearly shows that, despite Commission presumptions to the contrary, the ILEC in Alaska does not possess market power. GCI, the competitive provider, clearly maintains a dominant position in terms of relative revenue market shares. GCI serves 75% of Alaska's enterprise customers and earns almost three times the amount of BDS-type revenue as Alaska

[19] Rysman White Paper at page 200.

Communications, the price cap ILEC. GCI's more extensive fiber and fiber/microwave terrestrial middle mile network provides it with a competitive advantage over Alaska Communications in areas served by both and allows it to enjoy monopoly-like dominance in in areas where it is the only terrestrial middle mile provider. Dr. Rysman's third prong also supports the conclusion that Alaska Communications does not possess market power because, as both GCI and Alaska Communications admit to investors and the investment community, the high level of competition in the BDS markets in Alaska results in continuous downward pressure on prices – or price compression. In his conclusion, Dr. Rysman states that ILECs "are an outsized presence in this industry" and analysis of the SADC data indicate that based on revenue shares "ILECS dominate the market for facility-based service in their regions."[20] The data analyzed by Dr. Rysman also indicated that ILECS provided BDS services to far more locations than competitive providers.[21] Based on the regression equations estimated by Dr. Rysman similar conclusions could be reached using price data.[22] A preliminary review of the SADC data for Alaska appears to indicate that the ILEC is dominant in terms of revenue share and locations. However, the above discussion clearly shows that the SADC data are not consistent with other publicly available data that clearly show that, in the case of Alaska, the ILEC is clearly not dominant. An analysis of these other data sets and applying it to Dr. Rysman's criteria for market power, there is no indication that the ILEC has any market power in Alaska. As discussed in more detail below, given the acknowledged

[20] Rysman White Paper at 221.
[21] *Id*.
[22] *Id*.

limitations in the SADC data and the inconsistency with the other data discussed herein, the SADC data should not be relied on to determine if an area is competitive.

Observed Limitations in the SADC Data May Explain Why the Data Incorrectly Imply that the ILEC is Dominant in the BDS Market in Alaska

13. A preliminary review of the SADC data for Alaska indicates that Alaska Communications provides BDS to several times the number of locations compared with GCI, and earns several times the revenue from BDS services. This result holds whether considering circuit-based services or packet-based data circuits. These results, however, are not consistent with what both parties have acknowledged in their public statements to investors and publicly released SEC financial statements. The likely cause of this inconsistency are issues with the SADC data that are discussed by the Commission in the Order/FNPRM and by Dr. Rysman in his White Paper. For example, the exclusion of "best effort" services that may well compete with ILEC DS1 and DS3 services, and the inability to break out the BDS revenue included in managed service contracts for competitive providers, have been well hashed in the comments filed by parties to this proceeding and need not be repeated here.[23] It is likely that the SADC results showing Alaska Communications earning multiple times the revenue from BDS-type services more than GCI demonstrates the unreliability of the data, in light of SEC reporting showing that GCI earns three times the revenue of Alaska Communications in BDS-type service revenue. It is clear that the SADC data cannot be relied on to determine whether ILEC BDS services in Alaska should be re-regulated or more heavily regulated.

The Largest Bottleneck in Alaska is Not the Local Connection Rather the Lack of Access to Middle Mile

[23] *See e.g.,* Order/FNPRM at ¶¶ 160,191-192 and Rsyman White Paper at 202.

14. The Commission expects that where there is a single provider with market power in an area that provider will be the ILEC. The Order/FNPRM states; "incumbent LECs in their home territories remain a ubiquitous presence, easily able to provide BDS to virtually all enterprise locations in a manner that no other competitor can duplicate."[24] The Commission's assumes that the ILEC controls or has reasonable access to the middle mile facilities necessary to carry traffic from enterprise customers to the rest of the world. However, contrary to the Commission's expectations, the ILEC in Alaska cannot provide BDS to enterprise customers across its local serving area if it does not have access to middle mile facilities. Alaska is unique in the nation because the lack of availability and affordability of middle mile facilities poses a bottleneck for connecting remote areas in Alaska to the rest of the world. In Alaska, most Bush communities have no access to the terrestrial middle mile facilities required for BDS services. Those that do have access typically have only one option, and that option is almost always controlled by GCI.

15. In the three major population centers in Alaska, Anchorage, Fairbanks and Juneau, there are at least three providers of terrestrial middle mile, including undersea transport to internet peering locations in Oregon and Washington State.[25] The presence of three providers of terrestrial middle mile connecting these areas has resulted in vigorous competition and declining prices in the BDS market in the three population centers.[26] The same holds true in rural communities provided they are on the road system and the electric power grid, or linked by fiber to the undersea cables serving the state. For example, fiber

[24] Order/FNPRM at ¶ 2.
[25] ATT Alascom has IRUs to Anchorage, Fairbanks and Juneau, and therefore qualifies as a potential middle mile provider.
[26] GCI 2015 10-k at 34 and Declaration of Alaska Communications Comments: David Eisenberg Declaration at page 3.

connects Deadhorse up on the North Slope to Alaska Communications' fiber ring near Fairbanks, and a combination of terrestrial and undersea fiber connects Kodiak Island to Homer and Seward on the Kenai Peninsula before completing a ring to Anchorage. In the Bush, off the road system and not connected by undersea cable, the options are limited to solely satellite transport or a combination of satellite transport and GCI's hybrid fiber/microwave TERRA network. The TERRA network is the only terrestrial provider of middle mile transport serving 72 communities in southwest and western Alaska. As has been well described by the Commission, satellite and microwave transport is inferior to transport over fiber cables in terms of latency, capacity and reliability.[27]

16. The ILEC and other carriers in the state have long complained that GCI restricts wholesale access to the TERRA network despite financing its construction and operation with federal grants, low interest loans and federal universal service support. For example, according to the Alaska Rural Coalition ("ARC"), four local exchange carriers requested a quote from UUI/GCI for use of the TERRA-SW. Only two received a quote. The others were told that TERRA-SW is "unregulated" and "has been presold for internal use by GCI,"[28] apparently in complete disregard of the commitments made in GCI's original BIP application. The ARC noted that the price provided by GCI far exceeded the cost of purchasing satellite backhaul, an already cost-prohibitive solution to providing broadband to remote Alaska."[29] Maintaining control of the TERRA network allows GCI to maintain a postalized month-to-

[27] *See e.g.* The Broadband Availability Gap, Federal Communications Commission Omnibus Broadband Initiative, Technical Paper No. 4, April 2010, pages 60, 75-76 and 115.
[28] See Alaska Rural Coalition Petition for Reconsideration, WC Docket No. 10-90, *et seq*., dated December, 2011, p. 12.
[29] *Id.*

month price of $9,500 per Mbps.[30] The per Mbps rate may be lowered to $240 for the hub port and $2,040 for each edge port if the customer commits to a 25-year contract for at least 400 Mbps – clearly contrary to the Commission's intent to restrict the use of long term contracts that limit competition.[31]

Examination of Data Obtained From the Commission's Rural Health Care ("RHC") and E-Rate Universal Service Support Programs Confirms that Competition Exists in Alaska Where There Are Multiple Middle Mile Providers

17. The Universal Service Administrative Company ("USAC") maintains data that shows the service address, service provider and amount of support provided or committed to be provided for support under the E-Rate and RHC programs.[32] By separating these data into groups representing Alaska Communications local serving areas, on and off-road service locations, locations served by TERRA, and by service provider, we can analyze the level of competition for areas served by single or multiple terrestrial middle mile providers. The use of support dollars is appropriate in the unique case of Alaska not only because of the inherent high cost of providing BDS in the state but also because E-Rate and RHC-funded projects make up a material portion of total BDS demand in Alaska.[33] The RHC and E-Rate programs do not provide funding only to high-cost areas. Instead, they are intended to provide discounts to qualifying community anchor institutions in low and high cost areas for services including BDS services and other services that require

[30] See https://www.gci.com/~/media/files/gci/regulatory/tariffs/gci_terra_posting_effective_07_29_15_final.pdf?la=en, According to GCI's rate posting the postalized price consists of a hub port charge of $1,000 and an edge port charge $8,500. Only one hub port may be ordered with any circuit/network.

[31] Order/FNPRM at ¶ 92.

[32] For the Rural Health Care Program see the Funding Tool at http://www.usac.org/rhc/telecommunications/tools/default.aspx For E-Rate please see Data Retrieval Tool at http://www.slforms.universalservice.org/DRT/Default.aspx

[33] *Connect America Fund et al.,* WC Docket No. 10-90 et al., Report and Order, 28 FCC Rcd 5301 (Wireline Comp. Bur. 2013) (CAM Platform Order); *Connect America Fund et al.,* WC Docket No. 10-90 et al., Report and Order, 29 FCC Rcd 3964 (Wireline Comp. Bur. 2014) (CAM Inputs Order).

BDS.[34] That said, because the amount of support is based on a percentage of cost, the support amount will be higher in higher-cost areas, all else being equal.

18. The results of this analysis clearly show that for addresses on the road system that are more likely to have multiple terrestrial middle mile providers, RHC and E-Rate support is distributed fairly evenly across multiple service providers. In addresses off the road system, where it is much more likely that there is only a single provider, if any, of terrestrial middle mile, the level of competition for support dollars amongst service providers is significantly lower. These results hold whether the analysis is confined to just those areas where local service is provided by the single price cap carrier in Alaska (Alaska Communications) or across the entire state.

RHC and E-Rate 2015 Support Distribution: Entire State

Provider	Total RHC + Erate Voice Excl.	RHC + Erate Voice Excl. - On Road	RHC + Erate Voice Excl. - Off Road
Total	100.00%	100.00%	100.00%
GCI (incl. ILEC affiliates)	76.07%	26.15%	84.81%
Alaska Communications (Price Cap ILEC)	9.19%	42.86%	3.30%
Others	14.73%	31.00%	11.89%

The above table shows that the price cap carrier receives only 9% of the total support dollars across the state for providing BDS to schools, libraries and rural health care facilities. GCI, the largest provider in the state, receives 76% of the total RHC and E-Rate support, with other service providers receiving the remaining 15%. This would indicate limited competition and the likelihood that GCI, with 76% of the support dollars,

[34] *See* Universal Service Administrative Company Website at http://www.usac.org/default.aspx

has a large degree of market control. When the analysis focuses only on locations that are on the road system, a different picture emerges. No service provider enjoys more than 50% of the market share, with Alaska Communications, the price cap carrier, at 42%. By contrast, a lack of competition is clearly evident in areas off the road system. GCI provides services that allow it to capture almost 85% of the support received from the RHC and E-Rate programs in off-road communities in Alaska.

19. The difference in the level of competition between on and off-road locations holds when considering just those areas where the price cap carrier provides local service. Across all areas where Alaska Communications provides local service the competitive mix is fairly even with GCI receiving 46% of the support dollars, Alaska Communications receiving 32% and other service providers receiving 22%. When just considering on-road areas served by Alaska Communications, a relatively even distribution remains. However, the results change dramatically when we look at the off-road areas served by Alaska Communications ILECs. In those areas, GCI controls 68% of the support with the remainder evenly split between Alaska Communications and other carriers. These results are due to the presence of two providers of terrestrial middle mile in the on-road Alaska Communications locally served areas, and only one in the off-road areas.

RHC and E-Rate 2015 Support Distribution:
Alaska Communications Local Serving Areas

Provider	RHC/Erate voice excl. - Alaska Communications Local Svc.	RHC/Erate voice excl. - Alaska Communications Local Svc. - On Road	RHC/Erate voice excl. - Alaska Communications Local Svc. - Off Road
Total	100.00%	100.00%	100.00%
GCI (incl. ILEC affiliates)	46.40%	27.92%	68.06%
Alaska Communications	31.82%	45.33%	15.98%
Others	21.78%	26.75%	15.96%

20. This conclusion also holds true when examining the data for the areas served exclusively by GCI's TERRA middle mile network. Overall, in areas served by the TERRA network GCI receives almost 90% of the support dollars provided under the RHC and E-Rate programs. Alaska Communications receives nothing (even though TERRA serves four communities where Alaska Communications is the ILEC) with other providers receiving the remaining 10%.

21. While expressing these results in terms of percentages illustrates the differences in competitive levels in on-road versus off-road areas, showing them in dollars exposes the tremendous impact of the problem. In 2015 GCI received funding or commitments for funding of more than $126 million in RHC and E-rate support. In total the state received $166 million. Of the $126 received by GCI, $120 million came from areas off the road system where GCI was likely to be the only provider of terrestrial middle mile. On the road

system it was a different story. GCI received over $6 million, Alaska Communications received almost $10 million and other carriers received almost $8 million.

Provider	Total RHC + Erate Voice Excl.	RHC + Erate Voice Excl. - On Road	RHC + Erate Voice Excl. - Off Road
Total	$ 166,642,685.86	$ 24,822,572.99	$ 141,809,836.49
GCI (incl. ILEC affiliates)	$ 126,769,921.61	$ 6,490,988.65	$ 120,271,537.66
Alaska Communications	$ 15,320,513.09	$ 10,637,721.88	$ 4,682,791.21
Others	$ 24,552,250.53	$ 7,693,862.46	$ 16,855,508.07

22. GCI's dominance is even more pronounced in areas served by the TERRA network. In areas served by TERRA, GCI received $90 million of a $100 million total. Alaska Communications received no support in areas served by TERRA. This table illustrates two effects of GCI's middle mile monopoly in the areas served by the TERRA network. First, the monopoly allows GCI to gain 90% of the support flowing to these areas. Second, at a time when the Commission is attempting to control the size of the fund and create a more efficient distribution system, over 60% of the E-rate and RHC funding in Alaska is going to areas with less than 6% of the state's population.[35]

Provider	RHC/Erate voice excl. - TERRA	RHC/Erate voice excl. - TERRA - Alaska Communications Local Svc.
Total	$ 100,795,172	$ 476,465
GCI (incl. ILEC affiliates)	$ 90,279,601	$ 476,464
Alaska Communications	$ -	$ -
Others	$ 10,515,571	$ -

[35] Population estimate from Alaska Population Estimates by Borough, Census Area, City, and Census Designated Place (CDP), 2010 to 2014. TERRA Locations, TERRA Rate Posting.

23. In areas where Alaska Communications provides local service, the pattern continues. RHC and E-Rate support is relatively evenly distributed across on-road system areas and skewed significantly in GCI's favor in off-road areas. To further illustrate the point made in the preceding paragraph, the vast majority areas served locally by Alaska Communications are served by multiple middle mile facilities. These areas contain over 66% of the state's population yet only receive $26 million of a total of $166 million in E-rate and RHC support in the state, the majority of it ($18 million) flowing to ACS competitors. The remaining 84% of RHC and E-rate support flowing to Alaska is going to GCI with over $90 million of it destined for communities on the TERRA network.

Provider	RHC/Erate voice excl. - Alaska Communications Local Svc.	RHC/Erate voice excl. - Alaska Communications Local Svc. - On Road	RHC/Erate voice excl. - Alaska Communications Local Svc. - Off Road
Total	$ 26,568,240.40	$ 14,341,245.17	$ 12,221,504.78
GCI (incl. ILEC affiliates)	$ 12,328,068.41	$ 4,004,158.14	$ 8,318,419.82
Alaska Communications	$ 8,453,876.05	$ 6,501,042.97	$ 1,952,833.08
Others	$ 5,786,295.94	$ 3,836,044.06	$ 1,950,251.88

24. A review of additional data sources supports the conclusion that Alaska Communications is not the dominant provider of BDS or more complex services that rely on BDS in Alaska, either in its own local serving area or in any other part of the state. A review of the expenditures by the State of Alaska for the first six months of 2016 show that GCI is the dominant provider to the state government.[36] The total expenditures for service code

[36] Data for this analysis was obtained from the Payment Detail Report available at http://doa.alaska.gov/dof/reports/pmt_detail.html. Data showing the where the service was provided are not available for this report.

DATA/NETWORK shows GCI with $2.02 million of total expenditures by the state of $4.145 million. Alaska Communications provided $686,198 in data/network services to the state over the same period, with other providers accounting for the remaining $1.438 million in state expenditures. Once again, if any provider is dominant, it is GCI.

25. An analysis of federal BDS purchasing in Alaska tells the same story. General Service Administration ("GSA") expenditures from 2014 – 2016 show that Alaska Communications is not the dominant provider of BDS-type services in Alaska.[37] The GSA data indicate that Alaska Communications provides less than 15% of total GSA expenditures in Alaska while GCI provides almost 60%. This disparity holds for total expenditures, total on-road expenditures, and total expenditures where Alaska Communications provides local service.

GSA Wired Telecommunications Services for 2014 thru 2016[38]

Provider	Total GSA Contracts	GSA Contracts on Road	GSA Contracts off Road	GSA Contracts Alaska Communications Local Svc	GSA Contracts Alaska Communications Local Svc on Road
Total	$ 2,054,956	$ 1,775,450	$ 279,506	$ 1,645,239	$ 1,645,239
GCI (incl. ILEC affil.s)	$ 1,197,584	$ 1,172,501	$ 25,082	$ 1,085,619	$ 1,085,619
Alaska Comm.s	$ 275,491	$ 275,491	$ -	$ 254,023	$ 254,023
Others	$ 581,881	$ 327,458	$ 254,424	$ 305,597	$ 305,597

26. The only area where GCI is not the clear dominant provider to the GSA in the state is in off-road locations where other carriers are dominant. In off-road areas, carriers other than

[37] The GSA data is available at https://www.usaspending.gov/Pages/AdvancedSearch.aspx . NAICIS Code Selected: 517110, Product Codes Selected D302, D304 and D322.

[38] The data used in this analysis included categories that likely contained BLS services: IT & Telecommunications: Systems Development, IT & Telecommunications: Telecommunications & Transmission and IT & Telecommunications: Internet. It excluded categories such as IT & Telecommunications: Telephone and Communications, voice services and messaging.

GCI and Alaska Communications provide just over 90% of the BDS-like services to the GSA.[39]

27. Publicly available data from GCI's and Alaska Communications' 10-k Reports filed with the SEC, statements made to analysts and investors, USAC Rural Health Care and E-rate programs, the State of Alaska and the Federal General Services Administration make it clear that Alaska Communications is not the dominate provider of BDS services even in areas where it is the incumbent local service provider. These results also render suspect the data developed in the SADC. At the very least the Commission should not rely solely on the SADC data in its revised Competitive Market Test.

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[39] These other carriers include Bettles Telephone, Inc., Bristol Bay Telephone Cooperative Inc, Nushagak Electric & Telephone Cooperative Inc., and OTZ Telephone Cooperative Inc.